

Message Text

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51

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 AID-20 CIAE-00 COME-00

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FM AMEMBASSY PARIS

TO AMEMBASSY PHNOM PENH

INFO SECSTATE WASHDC 5430

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E.O. 11652: N/A

TAGS: EFIN, CB, FR

SUBJECT: KHMER DEBT

REF: PHNOM PENH 1928

1. WE ASKED HOT, DEPUTY TO PARIS CLUB CHAIRMAN NEBOT, WHAT DETAILS HE COULD FURNISH ABOUT FRENCH SHORT-TERM CREDITS TO CAMBODIA, POINTING OUT THAT EXISTENCE OF EXCHANGE SUPPORT FUND FINANCING FOR ALL CAMBODIAN IMPORTS, INCLUDING THOSE FROM FRANCE, SEEMED TO OBTAIN NEED FOR ANY CREDIT, EVEN OF SHORT-TERM NATURE. HOT SAID FRENCH FINANCING, RUNNING BETWEEN 3 AND 18 MONTHS DEPENDING ON NATURE OF GOODS, WAS CREDIT TO CAMBODIA IMPORTER, WHICH ENABLED HIM POSTPONE TIME WHEN HE WOULD HAVE PURCHASE FOREIGN EXCHANGE FROM ESF AGAINST CAMBODIAN CURRENCY. NEBOT'S POINT HAD BEEN THAT IF CAMBODIA DEFAULTED ON LONG-TERM OBLIGATIONS, FRENCH EXPORTERS AND THEIR BANKS WOULD CEASE TO EXTEND ANY SHORT-TERM CREDITS. THUS FOR A TIME THERE WOULD BE A KIND OF DOUBLE DRAIN ON CAMBODIAN EXCHANGE RESOURCES, WITH IMPORTERS DRAWING FOREIGN EXCHANGE BOTH TO PAY OFF MATURING CREDITS AND TO PAY FOR NEW IMPORTS ON DELIVERY. HOT DID NOT KNOW WHAT TOTAL OF OUTSTANDING CREDITS MIGHT BE.

2. COMMENT: HOT'S REPLY IS NOT VERY SATISFACTORY, BUT WE DON'T
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BELIEVE WE CAN CARRY MATTER ANY FURTHER. OUR GUESS WOULD BE THAT

AMOUNT OF SUCH CREDIT IS NOT GREAT. IN 1972 TOTAL FRENCH EXPORTS TO CAMBODIA WERE LESS THAN \$7 MILLION, SO THAT EVEN UNDER EXTREME ASSUMPTION OF THREE MONTHS' FIANACING FOR TOTAL FLOW, OUTSTANDING CREDIT AT ANY ONE TIME WOULD BE LESS THAT \$2 MILLION. HOWEVER, SUCH CREDIT IS COSTLY. AT PRESENT TIME FRENCH PRIME RATE FOR DOMESTIC BORROWERS IS ABOUT 12.5 PERCENT. WHILE BANKS MIGHT SHAVE CHARGES A LITTLE IN SHORT-TERM EXPORT PAPER, THEY CAN'T GO VERY FAR.
STONE

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